

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana**

Annual Financial Statements

**As of and for the Year Ended
December 31, 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **MAY 23 2012**

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana**

**Annual Financial Statements
As of and for the Year Ended December 31, 2011**

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M. CARLEEN DUMAS
Certified Public Accountant
369 Donaldson Road. Calhoun, Louisiana. Telephone 318/644-5726

Independent Accountant's Review Report

BOARD OF COMMISSIONERS
CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana

I have reviewed the accompanying financial statements of the business-type activities of the Consolidated Water District No. 2 of Morehouse Parish (the "District"), a component unit of Morehouse Parish Police Jury, as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of the District. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management of the District is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 6 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board (GASB). The schedule of compensation paid commissioners, status of prior year findings, and current year findings and corrective action plan on pages 19 through 21, are not a required part of the basic financial statements but are supplementary information required by the Louisiana Governmental Audit Guide. The supplementary information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, I do not express an opinion or provide any assurance on the supplementary information.

Member of the American Institute of Certified Public Accountants
Member of the Society of Louisiana of Certified Public Accountants

**BOARD OF COMMISSIONERS
CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana**

In accordance with the Louisiana Governmental Audit Guide and the provisions of state law, I have issued a report dated May 10, 2012, on the results of my agreed-upon procedures.

**/s Carleen Dumas
Calhoun, Louisiana
May 10, 2012**

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2011**

Our discussion and analysis of Consolidated Water District No. 2 of Morehouse Parish's (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2011. Please read it in conjunction with the District's financial statements that begin on page 8.

BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of :

- a. Management's discussion and analysis (MD&A)
- b. Statement of net assets
- c. Statement of revenues, expenses, and changes in net assets
- d. Statement of cash flows
- e. Notes to the financial statements
- f. RSI other than MD&A, if applicable

The District is a special-purpose government engaged only in business-type activities.

Enterprise Fund Financial Statements

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information in a way that shows the change in the District's financial condition resulting from the current year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and the changes in them. Net assets - the difference between assets (what the District owns) and liabilities (what the District owes) is a way to measure the financial position of the District. Over time, increases or decreases in the District's net assets are an indicator of whether the District's financial position is improving or deteriorating.

CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
 Bastrop, Louisiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended December 31, 2011

The Statement of Cash Flows provides information on the changes in cash during the year. This statement reports the net cash provided or used by operating activities, capital and related financing activities, and investing activities.

COMPARATIVE ANALYSIS OF
FINANCIAL DATA

The District's total net assets decreased by \$48,587 during 2011. Operating revenues increased \$3,868 from the previous year. Operating expenses increased \$47,587 with the majority of the increase in maintenance expense due to the cleaning and painting of a water tank. The following presents an analysis of net assets and changes in net assets of the District's business-type activities:

	BUSINESS-TYPE ACTIVITIES	
	2011	2010
Assets		
Current assets	\$792,182	\$791,191
Restricted assets	45,370	44,532
Capital assets	172,525	187,478
Total assets	<u>1,010,077</u>	<u>1,023,201</u>
Liabilities		
Current liabilities	56,476	54,996
Long-term liabilities	327,741	293,758
Total liabilities	<u>384,217</u>	<u>348,754</u>
Net Assets		
Invested in capital assets	172,525	187,478
Unrestricted	453,335	486,969
Total net assets	<u>625,860</u>	<u>674,447</u>
Operating revenues	329,570	325,702
Operating expenses	(388,262)	(340,675)
Non-operating revenues (expenses)	10,105	13,625
Change in net assets	(48,587)	(1,348)
Net assets - beginning	674,447	675,795
Net assets - ending	<u>\$625,860</u>	<u>\$674,447</u>

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2011**

OVERALL FINANCIAL POSITION

Unrestricted net assets (those assets available to finance the daily operations of the district) were \$453,335 at year end. The amount invested in capital assets was \$172,525 at year end.

CAPITAL ASSETS AND DEBT

Capital Assets

At the end of the year, the District had capital assets (net of accumulated depreciation) totaling \$172,525. Capital assets include land, the water system, tanks, and wells, buildings, and equipment costing \$500 or more. There were no additions or deletions to capital assets during 2011. Additional information about the District's capital assets is presented in Note 4 to the financial statements.

Debt

During the year ended December 31, 2008, the District entered into an agreement with the State of Louisiana, Department of Transportation (DOTD) for Utility Relocation Assistance Funding (URAF) to relocate the District's water lines that are located within the limits of a road construction project on US Highway 425. During 2009, the District was reimbursed for \$293,758 of the project cost through a URAF loan. During 2011, the District received an additional \$34,183 reimbursement of the project cost through URAF. The district repaid \$200 of the loan during 2011. Additional information about the District's debt is presented in Note 5 to the financial statements.

ECONOMIC FACTORS

Operating revenues are estimated to increase approximately \$2,000 in 2012 due to new charges for connections. The District's operating expenses are expected to remain fairly constant in 2012 except for salary increases approved in October 2011.

BASIC FINANCIAL STATEMENTS

Statement A

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana**

**STATEMENT OF NET ASSETS
December 31, 2011**

ASSETS**Current assets:**

Cash	\$119,345
Investments - certificates of deposit	620,810
Receivables	26,387
Inventory	25,640
Total current assets	<u>792,182</u>

Noncurrent assets:

Restricted cash	45,370
Property, plant and equipment (net of accumulated depreciation)	172,525
Total noncurrent assets	<u>217,895</u>
Total assets	<u><u>1,010,077</u></u>

LIABILITIES**Current liabilities:**

Accounts payable	5,609
Payroll withholdings payable	4,226
Sewer fees payable	1,293
Customer deposits	45,348
Total current liabilities	<u>56,476</u>

Long-term liabilities - URAF loan

	<u>327,741</u>
Total liabilities	<u><u>384,217</u></u>

NET ASSETS

Invested in capital assets	172,525
Unrestricted	453,335
Total net assets	<u><u>\$625,860</u></u>

See accompanying notes and independent accountant's review report.

Statement B

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana**

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
For the Year Ended December 31, 2011**

OPERATING REVENUES

Water sales	\$296,235
Penalties	6,460
Safe drinking water fee	4,153
Installation and connection fees	16,145
Sewer collection fee	1,846
Other operating revenue	4,731
Total operating revenues	<u>329,570</u>

OPERATING EXPENSES

Salaries	145,693
Commissioners per diem	4,080
Payroll tax expense	11,146
Workers compensation insurance	7,041
Employees health insurance	32,143
Maintenance expense	109,542
Auto fuel and maintenance	8,692
Office expense	6,887
Utilities and telephone	23,978
Insurance	12,389
Legal and accounting	5,551
Postage	3,680
Dues and memberships	415
Taxes, licenses, and permits	355
Depreciation	14,952
Other operating expenses	1,718
Total operating expenses	<u>388,262</u>

OPERATING INCOME (Loss)

(58,692)

NON-OPERATING REVENUES

Interest income	<u>10,105</u>
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DECREASE IN NET ASSETS

(48,587)

NET ASSETS - BEGINNING

674,447

NET ASSETS - ENDING

\$625,860

See accompanying notes and independent accountant's review report.

Statement C

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana**

**STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$332,622
Customer meter deposits (net)	835
Payments to suppliers	(219,691)
Payments to employees and board	(149,773)
Net cash used by operating activities	<u>(36,007)</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Payment of principal on URAF loan	(200)
Proceeds from URAF loan	34,183
Increase in restricted cash	(838)
Net cash provided by capital and related financing activities	<u>33,145</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	10,105
Increase in investments	(39,484)
Net cash used by investing activities	<u>(29,379)</u>

NET DECREASE IN CASH

(32,241)

CASH AT BEGINNING OF YEAR

151,586

CASH AT END OF YEAR

\$119,345

Reconciliation of Operating Income (Loss) to Net Cash**Used by Operating Activities**

Operating Income (Loss)	(\$58,692)
Adjustments:	
Depreciation	14,952
Decrease in accounts receivable	3,053
Decrease in inventory	3,200
Increase in accounts payable	1,020
Decrease in payroll withholdings payable	(468)
Increase in customer meter deposits	835
Increase in sewer fees payable	93
Total adjustments	<u>22,685</u>
Net cash used by operating activities	<u>(36,007)</u>

See accompanying notes and independent accountant's review report.

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana**

Notes to the Financial Statements
As of and for the Year Ended December 31, 2011

INTRODUCTION

Consolidated Water District No. 2 of Morehouse Parish was created by the Morehouse Parish Police Jury as authorized by Louisiana Revised Statute 33:3811 for the purpose of supplying safe drinking water to the population of the district. The district is governed by a five member board of commissioners appointed by the police jury. Consolidated Water District No. 2 of Morehouse Parish commissioners receive \$60 per meeting attended. The district serves approximately 1,164 customers and has four employees.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, Consolidated Water District No. 2 of Morehouse Parish is considered a component unit of the Morehouse Parish Police Jury. As a component unit, the accompanying financial statements may be included within the reporting of the primary government, either blended into those financial statements or separately reported as a discrete component unit.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statements

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of :

1. Management's discussion and analysis (MD&A)
2. Statement of net assets
3. Statement of revenues, expenses, and changes in net assets
4. Statement of cash flows
5. Notes to the financial statements
6. RSI other than MD&A, if applicable

The Consolidated Water District No. 2 of Morehouse Parish is a special-purpose government engaged only in business-type activities.

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Notes to the Financial Statements

**B. Measurement Focus, Basis of Accounting, and
Financial Statement Presentation**

Enterprise fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. Consolidated Water District No. 2 of Morehouse Parish has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of Consolidated Water District No. 2 of Morehouse Parish are water sales, safe drinking water fee, installation and connection fees, and other operating income. Operating expenses for enterprise funds include the costs of the services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Deposits and Investments

Cash and restricted cash includes amounts in interest-bearing demand deposits. State law allows the district to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. At December 31, 2011, the district's investments consists of nonnegotiable certificate of deposits with original maturities that exceed 90 days that are reported in the accompanying financial statements at cost.

D. Receivables

These statements contain no provision for uncollectible accounts. The district is of the opinion that such an allowance would be immaterial in relation to the financial statements taken as a whole. Customer accounts are considered past due when they are not paid by the

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Notes to the Financial Statements

15th of the month following the month of service. The customer's meter is locked if amount due is not paid by the 20th of the month following the month of service. Unpaid accounts are written off as bad debts when considered uncollectible by the board.

E. Inventory

Inventory consists of parts and expendable supplies and is recorded as an expense when consumed. Inventory is valued at market, which approximates cost.

F. Restricted Assets

Certain resources set aside for the refunding of customer meter deposits are classified as restricted assets on the balance sheet because their use is limited.

G. Capital Assets

Capital assets, which include land, the water system, tanks, wells, buildings, and equipment are reported in the enterprise fund financial statements. Capital assets purchased by the district are capitalized at historical cost. Donated capital assets are recorded at fair market value on the date of donation. The Consolidated Water District No. 2 of Morehouse Parish maintains a threshold level of \$500 or more and an estimated useful life of five years or more for capitalizing assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

	<u>Estimated Lives</u>
Water systems, tanks, and wells	11- 40 years
Buildings and equipment	3-20 years

H. Compensated Absences

The district's full-time employees earn from 5 to 10 days of vacation leave each year depending upon length of service. Vacation must be taken in the calendar year earned. Full-time salaried employees earn compensatory time for hours worked in excess of 40 each week. The compensatory time earned must be taken within the following year.

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Notes to the Financial Statements

I. Long-term Obligations

Long-term debt such as the URAF loan is reported as a liability on the statement of net assets.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures, and revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2011, the district has cash, restricted cash, and investments (book balances) as follows:

Petty cash	\$200
Interest bearing checking accounts	158,421
Savings accounts	6,094
Investments - certificates of deposit	<u>620,810</u>
Total	<u>\$785,525</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At December 31, 2011, the Consolidated Water District No. 2 of Morehouse Parish has \$786,266 in deposits (collected bank balances). These deposits are secured from risk by \$297,643 of FDIC insurance and 488,623 of NCUA insurance.

3. RECEIVABLES

At December 31, 2011, the district has net receivables of \$26,387 as follows:

Water sales	\$26,345
Returned checks	42
Allowance for uncollectible accounts	<u>NONE</u>
Net receivables	<u>\$26,387</u>

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Notes to the Financial Statements

4. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2011, is as follows:

	Balance at January 1, 2011	Increases	Decreases	Balance at December 31, 2011
Capital assets not being depreciated:				
Land	\$1,000	NONE	NONE	\$1,000
Capital assets being depreciated:				
Water system, tanks, and wells	657,559			657,559
Buildings and equipment	134,759			134,759
Total capital assets being depreciated	792,318	NONE	NONE	792,318
Less accumulated depreciation for:				
Water system, tanks, and wells	489,941	\$10,415		500,356
Buildings and equipment	115,900	4,537		120,437
Total accumulated depreciation	605,841	14,952	NONE	620,793
Total assets being depreciated, net	186,477	(14,952)	NONE	171,525
Total assets	\$187,477	(\$14,952)	NONE	\$172,525

Depreciation expense of \$14,952 for the year ended December 31, 2011 was reported in the statement of revenues, expenses, and changes in net assets.

5. URAF LOAN

In August 2008 the District entered into an agreement with the State of Louisiana, Department of Transportation (DOTD) for Utility Relocation Assistance Funding (URAF) to relocate the district's water lines that are located within the limits of a road construction project on US Highway 425. The agreement provided for a total project cost of \$481,313. The district was to be financially responsible for \$281,108 with the remainder to be funded by the state through a URAF loan. The actual cost of the project was \$539,817. In June 2009, the district was reimbursed \$293,758 of the project cost through a URAF loan.

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Notes to the Financial Statements

During 2011, the District was reimbursed an additional \$34,183. The agreement with DOTD provides that the District will repay the URAF funds in a lump sum, partial payments, in exchange for goods or services or any combination thereof.

The following is a summary of the URAF loan transactions for the year ended December 31, 2011:

URAF loan payable at January 1, 2011	\$293,758
Additions	34,183
Reductions	<u>(200)</u>
URAF loan payable at December 31, 2011	<u>\$327,741</u>

6. DESIGNATED NET ASSETS

In April 2008, the board of commissioners designated approximately \$630,000 of its funds for future capital improvements and to maintain a reserve for at least one year of operating expenses.

7. RISK MANAGEMENT

The district purchases commercial insurance to reduce the risk of loss resulting from property damage or liability claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

See independent accountant's review report.

SUPPLEMENTAL INFORMATION SCHEDULES

See independent accountant's review report.

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana**

**SUPPLEMENTAL INFORMATION SCHEDULES
As of and For the Year Ended December 31, 2011**

COMPENSATION PAID COMMISSIONERS

The schedule of compensation paid to commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As provided by Louisiana Revised Statute 33:3819, Consolidated Water District No. 2 of Morehouse Parish commissioners receive \$60 per meeting attended.

STATUS OF PRIOR YEAR FINDINGS

The follow-up and corrective action taken on all prior year findings is presented in Schedule 2.

**CURRENT YEAR FINDINGS AND
CORRECTIVE ACTION PLAN**

The corrective action plan for current year findings is presented in Schedule 3.

See independent accountant's review report.

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana**

**SCHEDULE OF COMPENSATION PAID COMMISSIONERS
For the Year Ended December 31, 2011**

Derrell Bray	\$840
Douglas Goyne	840
Bud Morrison	840
Eddie Potter	720
Wyatt Smith	<u>840</u>
Total	<u><u>\$4,080</u></u>

See independent accountant's review report.

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana**

**STATUS OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2011**

<u>Reference Number</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>	<u>Planned Corrective Action</u>
N/A	2009	Inadequate Segregation of Accounting Duties	No	See current year findings.
N/A	2009	Inadequate Controls Over Preparation of Annual Financial Statements	No	See current year findings.

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana

CURRENT YEAR FINDINGS AND
CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2011

<u>Reference Number</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
N/A	Inadequate Segregation of Accounting Duties	It is not economically feasible to correct this deficiency based on the size of the district.	Wyatt Smith- President	N/A
N/A	Inadequate Controls Over Preparation of Annual Financial Statements	It is not economically feasible to correct this deficiency based on the size of the district.	Wyatt Smith- President	N/A

See independent accountant's review report.

**Independent Accountant's Report on Applying
Agreed-Upon Procedures**

The following independent accountant's report on applying agreed upon procedures is presented in compliance with the requirements of the *Louisiana Governmental Audit Guide* and the *Louisiana Attestation Questionnaire*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

M. CARLEEN DUMAS
Certified Public Accountant
369 Donaldson Road. Calhoun, Louisiana. Telephone 318/644-5726

Independent Accountant's Report
On Applying Agreed-Upon Procedures

BOARD OF COMMISSIONERS
CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana

I have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of the Consolidated Water District No. 2 of Morehouse Parish and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the District's compliance with certain laws and regulations during the year ended December 31, 2011 included in the accompanying *Louisiana Attestation Questionnaire*. Management of the District is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for materials and supplies exceeding \$30,000, or public works exceeding \$150,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2296 (the public bid law).

A review was made of all disbursements for the year. There were no disbursements for materials and supplies that exceeded \$30,000 nor any disbursements for public works exceeding \$150,000 made during the year.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided me with the required list including the noted information.

Member of the American Institute of Certified Public Accountants
Member of the Society of Louisiana of Certified Public Accountants

Consolidated Water District No. 2
of Morehouse Parish
Independent Accountant's Report on
Applying Agreed-Upon Procedures
December 31, 2011

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided me with the required list.

4. Determine whether any of those employees included in the listing obtained from management in procedure number (3) were also included in the listing obtained from management in procedure number (2) as immediate family members.

None of the employees included on the list of employees provided by management in agreed-upon procedure (3) were included on the listing obtained from management in agreed-upon procedure (2) as an immediate family member.

Budgeting

5. Obtain a copy of the legally adopted budget and all amendments.

The district is not legally required to adopt a budget.

6. Trace the budget adoption and amendments to the minute book.

See procedure 5.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceed budgeted amounts by 5% or more.

See procedure 5.

Accounting and Reporting

8. Randomly select 6 disbursements made during the period under examination and;
- (a) trace payments to supporting documentation as to proper amount and payee;
 - (b) determine if payments were properly coded to the correct fund and general ledger account;
 - (c) determine whether payments received approval from proper authorities.

Consolidated Water District No. 2
of Morehouse Parish
Independent Accountant's Report on
Applying Agreed-Upon Procedures
December 31, 2011

An examination of six randomly selected disbursements disclosed the following:

- (a) The six selected disbursements were properly supported.
- (b) The six selected payments were properly coded to the correct general ledger account.
- (c) The six selected payments received approval from the proper authorities.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1-12 (the opening meetings law).

The public notices for meetings were posted and advertised as required by LSA-RS 42:7.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

I examined all deposits for the period under examination and noted no proceeds that appeared to be from bank loans, bonds, or like indebtedness other than the amount received as reimbursement from URAF.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances, or gifts.

A reading of the minutes of the board meetings and an examination of payroll records indicated no payments which may constitute bonuses, advances, or gifts.

Prior Comments and Recommendations

My prior year report, dated April 13, 2011, included two findings. The corrective action taken by management is included in the Status of Prior Year Findings schedule on page 20.

**Consolidated Water District No. 2
of Morehouse Parish
Independent Accountant's Report on
Applying Agreed-Upon Procedures
December 31, 2011**

I was not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of management of the Consolidated Water District No. 2 of Morehouse Parish and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

/s Carleen Dumas
Calhoun, Louisiana
May 10, 2012

Louisiana Attestation Questionnaire

The accompanying *Louisiana Attestation Questionnaire* has been completed by management and is included in this report as required by the *Louisiana Governmental Audit Guide*.

M. Carleen Dumas, CPA
369 Donaldson Road
Calhoun, LA 71225

Mrs. Dumas,

In connection with your review of our financial statements as of December 31, 2011 and for the year then ended, as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on information available to us as of 1-10-2012.

PUBLIC BID LAW

1. It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office.

Yes ☒ No ☐ N/A ☐

CODE OF ETHICS FOR PUBLIC OFFICIALS AND PUBLIC EMPLOYEES

2. It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone which would constitute a violation of LSA-RS 42:1101-1124.

Yes ☒ No ☐ N/A ☐

3. It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980 under circumstances which would constitute a violation of LSA-RS 42:1119.

Yes ☒ No ☐ N/A ☐

BUDGETING

4. We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes ☒ No ☐ N/A ☐

ACCOUNTING AND REPORTING

5. All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes ☒ No ☐ N/A ☐

6. We have filed our annual financial statements in accordance with LSA-RS 24:514, LSA-RS 33:463, and/or LSA-RS 39:92, as applicable.

Yes ☒ No ☐ N/A ☐

7. We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.

Yes ☒ No ☐ N/A ☐

MEETINGS

8. We have complied with the provisions of the Opening Meetings Law, LSA-RS 42:1-12.

Yes ☒ No ☐ N/A ☐

DEBT

9. It is true that we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60 - 1410.65.

Yes ☒ No ☐ N/A ☐

ADVANCES AND BONUSES

10. It is true that we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes ☒ No ☐ N/A ☐

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

<u>/s Wyatt Smith</u>	<u>1-10-12</u>
Name	Date